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Wills, Divorces, Traffic Tickets, Landlord Trouble—Help On All of These Could Be Available Under This Fringe Benefit

New Tax Law to Spur Group Legal-Service Plans

By Richard Egan

A PROVISION in the Tax Reform Act of 1976 seems certain to give a boost to the latest kind of employee fringe benefits—group prepaid legal-service plans.

"The new law removes the last major obstacle" to such plans, says the Martin E. Segal Co. of New York City, a major actuarial and consulting firm. "I've been swamped" with requests for information about the law, says Sandy Dement, executive director of the Na-

tional Consumer Center for Legal Services.

The 1976 tax law provides a double tax break beginning this year for workers whose companies contribute to such plans, which are similar to medical-insurance plans. The provision, which will be in effect through 1981, exempts from Federal income taxes both employer contributions paid to legal-service plans and the value of legal benefits received under the plan. Previously both the contributions and the benefits

were considered as taxable income of employees.

"The number of employee prepaid legal-service plans providing substantial benefits will probably double this year," says an American Bar Association official. Others in the legal-service field are even more optimistic. Though no accurate figures are available about nationwide participation in such plans, the ABA official says there are between 100 and 150 employee plans covering between 750,000 and 2,000,000 workers. About 90 per cent of these plans also cover workers' dependents.

'A Spin-Off Effect'

Legal plans vary widely in cost, operation, and provision of legal services. Some, for a small fee, provide only for consultation and advice from participating lawyers; the member pays all other legal costs. A few provide almost complete coverage of a member's legal costs. Organizers include labor unions, businesses, teachers' associations, credit unions, student groups, state and local bar associations, and insurance companies.

Of these, however, the tax break applies only to those plans set up by a company or those established through the collective-bargaining process. Because of the tax exemptions, unions this year are expected to push harder in bargaining with employers for establishment of such plans. The ABA official also believes that, as with the growth of health benefits, expansion of legal-service plans will have a "spin-off effect," encouraging establishment of the plans among nonunion white-collar workers as well as among other groups.

WHAT YOU CAN EXPECT FROM LEGAL SERVICES PLAN

When you, or a member of your family, contact the Legal Services Plan, you can expect:

1. Courteous treatment.
2. Competent legal advice.
3. Legal representation provided by the Plan.
4. You will not be charged a fee.

HOW TO USE THE PLAN

1. Call 347-6240 for an appointment with an attorney.
2. Attorneys will be visiting Local Union offices in Maryland and Virginia. You may see an attorney there if your problem is not urgent.
3. Bring your Laborers' membership card.
4. Don't wait until the last minute to call for assistance.

SERVICES AVAILABLE FROM LEGAL SERVICES PLAN

1. Legal advice and consultation on all problems.
2. Representation, including court appearances, on matters such as:
CONSUMER PROBLEMS, including contracts and debts
HOUSING PROBLEMS, including landlord-tenant
TRAFFIC CASES (moving violations)
PROBATE MATTERS, including wills
DOMESTIC RELATIONS MATTERS, including adoptions
(Other matters not specifically excluded in the Plan.)

CHARTER FOR LABORERS' LEGAL SERVICES

Purposes Of The Program

This program has been established by the Laborers' District Council of Washington, D.C. and Vicinity, affiliated AFL-CIO. The program shall be known as "Laborers' Legal Services" or as "Legal Services Plan, Laborers' District Council of Washington, D.C. & Vicinity."

This program has been established to protect and advance the legal rights and interests of the members of the program and their dependents.

The program will be financially supported by contributions of members. Program funds will be used only to further the goals of the program by providing services to members clearly defined collective interests of members and dependents. Legal services will be provided on a fully prepaid basis to the extent permitted by resources.

Operation Of The Program

A Steering Committee for Laborers' Legal Services will be composed of representatives from each participating Local Union and the Laborers' District Council. The Steering Committee may amend or expand this charter at any time, except that no change in the charter shall deprive a member of services to which he was entitled in connection with any matter pending at the time of the change.

The Steering Committee will select an attorney as Director of Laborers' Legal Services. The Director will regularly report to the Steering Committee on the operations of the program and matters of program policies and priorities will be determined by the Steering Committee.

The Director will be responsible for the operation of the program generally. In order to best control the quality and costs of legal services provided to members, the Director will employ or retain attorneys to provide the services. While

LABORERS' LEGAL SERVICES

A Prepaid Legal Services Program

Established By

Laborers' District Council of
Washington, D.C. & Vicinity

Potential Value

Because of the variation in kinds of plans, a typical one is difficult to describe. One of the most ambitious is run by the Teamsters Union in Alaska. Members pay 15 cents per working hour and are eligible for "almost any legal service you can imagine from the cradle to the grave, and beyond," says the ABA official. He says the potential value of legal services under the Teamsters plan could run to \$20,000 for the member and for each of his dependents.

Under most company or union plans, workers are assessed between 5 and 7 cents an hour. Coverage is less extensive than in the Teamsters plan. Most plans have limited or no coverage for criminal matters, contingent-fee cases (such as suing for damages for an injury), a member's outside business operations, or legal conflicts between employee and management. But the legal needs of the average American—wills, divorces, traffic problems, landlord-tenant differences, income taxes—usually are included.

Legal-service plans also emphasize preventive law. The plans seek to educate members to recognize potential legal problems and to take steps to avoid them. There's some indication that plan members do act to avoid such problems. A study of the first substantial legal-service plan, an ABA-sponsored plan set up by a construction union in Shreveport, La., showed that members went to lawyers twice as often after joining the plan as before. A few plans also offer counseling by social workers.

Benefits to Lawyers

Most plans, particularly the company and union-run ones, are "closed panel" plans, in which a member must go to a staff lawyer or one selected in advance by the plan. In closed-panel operations, the plan's organizers can bargain with lawyers for fee schedules below the going rate in the community (usually \$40-\$60 an hour in big cities). Participating lawyers benefit through increased volume of work and more economical operation of their office because of the steady flow of similar kinds of work. In open-panel plans, a member can choose his own lawyer, with the plan usually paying a set amount for services regardless of what the lawyer may charge.

Group legal plans offering limited coverage were first set up in 1899, but the Shreveport plan six years ago was the first to offer sizable benefits and stay in operation. The plans were given a boost in 1973 when an amendment to the Taft-Hartley Act authorized company contributions for group legal-service plans arranged under collective bargaining. Another hindrance to the plans was removed in 1975 when the ABA ended its opposition to closed-panel plans.

The final obstacle was the lack of tax-exempt status for the plans. That was knocked down by the tax act last year. "Lots of unions have held back on seeking the plans as fringe benefits because of the tax problem," says the ABA official. "Now they'll be pushing for them. There's no question but there will be a big expansion in the number of plans this year and in years to come."